

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6207**

**BILL NUMBER: SB 129**

**NOTE PREPARED:** Dec 14, 2006

**BILL AMENDED:**

**SUBJECT:** 1977 Fund Benefit Enhancement.

**FIRST AUTHOR:** Sen. Young R Michael

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill, for a member of the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) who retires after June 30, 2007, increases from 1% to 1.25% the amount by which the retirement benefit increases for each six months of active service greater than 20 years and less than 32 years. To pay for the benefit increase, the bill increases from 6% to 8.5% the percentage of the salary of a first class patrolman or firefighter that must be contributed by or on behalf of a 1977 Fund member or converted member.

(The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The increase in the proposed employee contribution rates (from 6.0% to 8.5%) will cover the cost of the higher benefit, based on an actuarial study conducted in April 2006. The increase in unfunded actuarial accrued liability is estimated to be \$91.1 M. The employer contribution rate (as a percent of first class salaries) will remain at 21.0%. Also, there will be a decrease in funded status (ratio) from 95.8% to 91.7%.

**Explanation of Local Revenues:**

**State Agencies Affected:** Public Employees' Retirement Fund as administrators of the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

**Local Agencies Affected:** Those municipalities with members in the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

**Information Sources:** Doug Todd of McCready & Keane, Inc., actuaries for PERF and the 1977 Police Officers' and Firefighters' Pension and Disability Fund, 317-576-1508.

**Fiscal Analyst:** James Sperlik, 317-232-9866.

## **DEFINITIONS:**

**Funded Status or Funded Ratio** The ratio of assets of a pension plan to its liabilities.

**Unfunded Actuarial Liability** -The actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability as that time over the value of its cash and investments